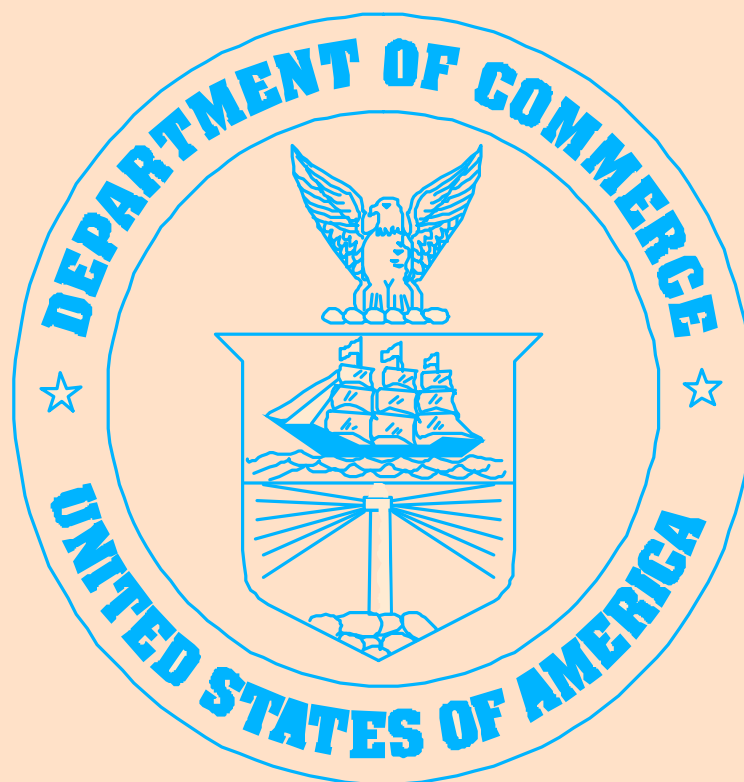


THE ROLE OF SMALL & MEDIUM-SIZED ENTERPRISES IN EXPORTS TO CHINA: A STATISTICAL PROFILE

Results from the 2002 Exporter Data Base



International Trade Administration
Manufacturing and Services
Office of Trade and Industry Information
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PREFACE

This report briefly outlines the export activities of U.S. Small and Medium-Sized Enterprises (SMEs) in the China market. Data presented here are for the year 2002—the latest available—and update 2001 figures previously made available by the International Trade Administration (ITA). All statistics contained in this report were generated from the Commerce Department's Exporter Data Base (EDB), which provides an annual statistical snapshot of U.S. exporters—their number, characteristics, and geographic distribution. The EDB is a joint ITA-Census Bureau project and is a cornerstone of ITA's Trade Data Enhancement Initiative, the goal of which is to develop and disseminate improved statistical information on U.S. international trade and its role in the U.S. economy.

A more detailed explanation of the EDB is contained in the technical notes appended to this report. Additional information can be obtained by visiting the Census Bureau's website at <http://www.census.gov/foreign-trade/aip/edbrel-0102.pdf>. Specific questions about the text, graphs, and tables in this paper should be directed to Elizabeth_Clark@ita.doc.gov.

This report was prepared by staff of the Office of Trade and Industry Information, International Trade Administration. The information contained herein should not be construed as advocating or reflecting any policy position of the U.S. Department of Commerce or International Trade Administration.

SMALL AND MEDIUM-SIZED ENTERPRISES PLAY A KEY ROLE IN EXPORTS TO CHINA

More Firms Are Exporting to China

A total of 16,434 U.S. firms are known to have exported merchandise to China in 2002 — the last year for which data are available. This is a 9 percent increase from 2001 and a 36 percent increase from 1999. The 2002 total of exporting firms is more than quadruple the number in 1992, when 4,092 firms exported to China.

The number of known small and medium-sized enterprises (SMEs) that exported to China in 2002 totaled 14,270 — up from 3,143 SMEs in 1992.

Eighty-seven percent of all U.S. exporters to China in 2002 were SMEs. This is up from 1992, when 77 percent of exporters to the China market were SMEs.

Very small companies — i.e., those with fewer than 20 employees — made up 49 percent (nearly half) of all U.S. firms exporting to China in 2002. This is up from a 38 percent share in 1992.

Over the 1992-2002 period, the number of SMEs exporting to China rose faster than the number of SMEs exporting to any other major market.

The number of SMEs exporting to China has been rising much faster than the number of large companies. From 1992 to 2002 the number of SMEs exporting to China surged by 354 percent, compared to 128 percent for large-company exporters.

Wholesalers and other non-manufacturers constituted 58 percent of all SMEs exporting to China in 2002.

In all major product categories, SME exporters to China outnumber large firms. For example, SMEs comprised 81 percent of all exporters of computer and electronic products to China in 2002. Other export sectors dominated by SMEs were wood products (80 percent of all exporters to China), machinery manufactures (80 percent), leather and allied products (79 percent), and chemicals (79 percent).

SMEs exported merchandise to China from every state and the District of Columbia in 2002. More SMEs exported merchandise to China from California (4,699 firms) than from any other state. California was followed by New York (1,686 firms), Texas (1,167 firms), Illinois (1,135 firms), and New Jersey (824 firms).

China Is an Important Growth Market for SMEs

SMEs are known to have exported goods to China worth \$6.54 billion in 2002 (i.e. exports to China that can be linked to individual companies using information on U.S. export declarations). China was the fifth largest market for U.S. merchandise exports from SMEs.

SMEs are responsible for a significant share of U.S. exports to China. In 2002, SMEs generated 31.5 percent — almost one-third — of all known U.S. merchandise exports to China. This is higher than the SME share of overall U.S. merchandise exports of 26.4 percent.

From 1992 to 2002 the known value of SME exports to China rose 262 percent, making China the fastest-growing major market for SMEs.

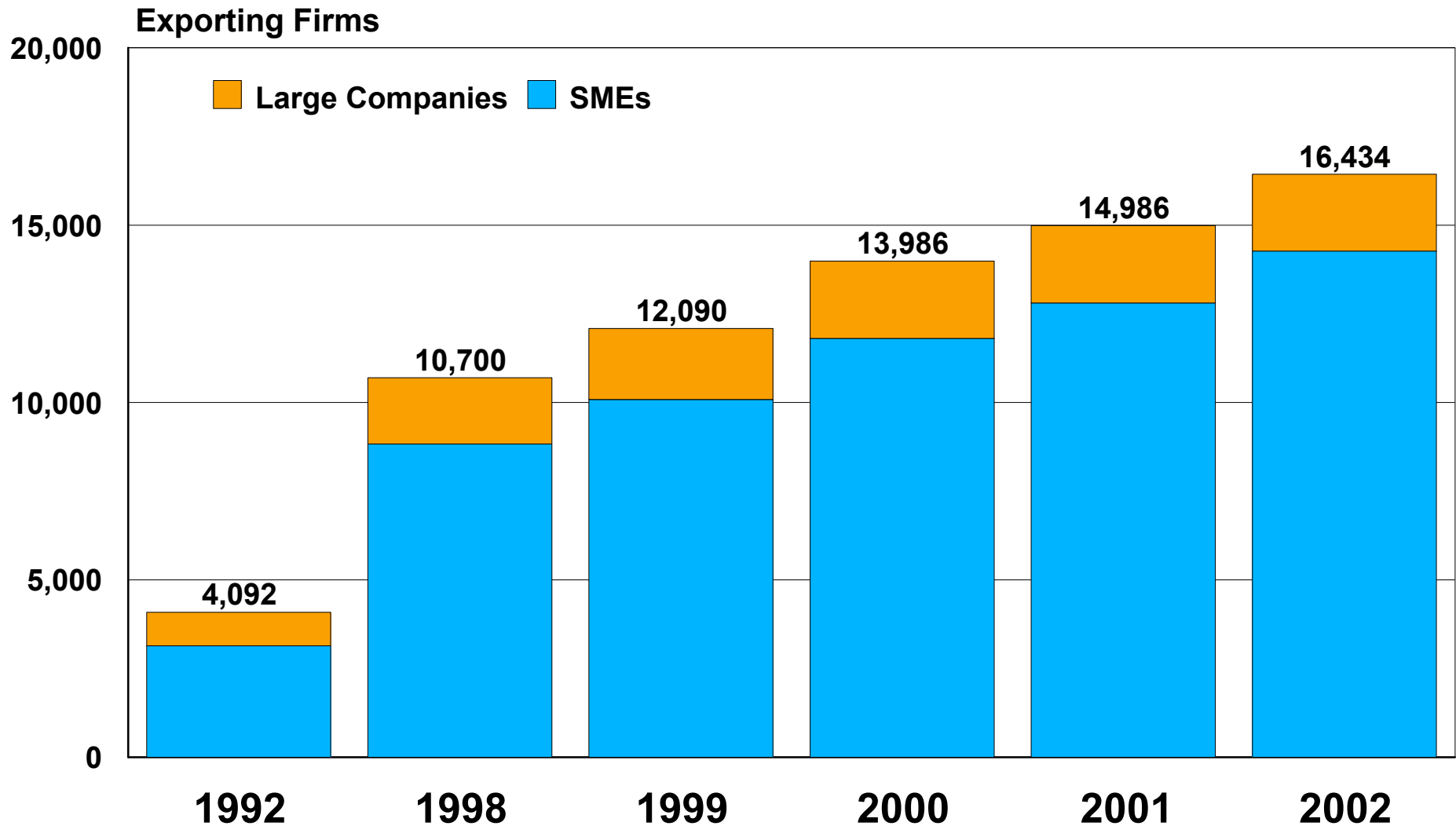
Measurable SME exports to China rose by more than \$4.7 billion during 1992-2002, the third largest dollar gain posted by SMEs to any major market (behind Mexico and Canada).

SMEs Export a Wide Range of Goods to China

In 2002, computers & electronic products led SME exports to China with sales of \$1.4 billion, followed by machinery manufactures (\$842 million) and chemical manufactures (\$722 million). Other sizable SME exports to China included processed foods, paper products, transportation equipment, and electrical equipment, appliances, & parts.

SMEs account for a sizable share of exports to China in some product sectors. For example, SMEs were responsible for 83 percent of apparel manufactures exports to China in 2002. SMEs also accounted for a large share of U.S. exports to China of non-apparel textile products (64 percent), textiles and fabrics (59 percent) and processed foods (52 percent).

THE NUMBER OF SMALL AND MEDIUM-SIZED ENTERPRISES THAT EXPORT TO CHINA SURGED FROM 1992 TO 2002

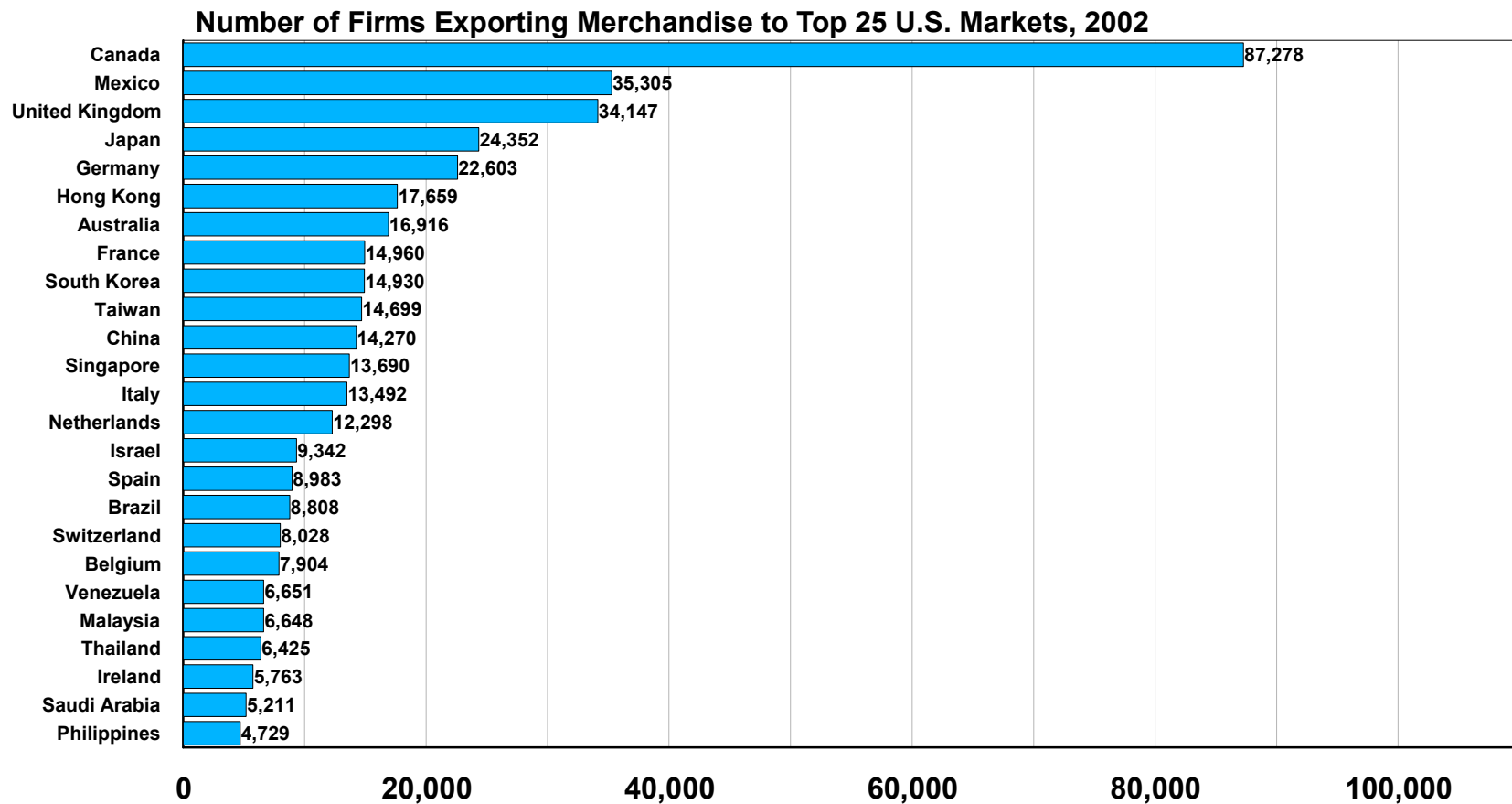


Notes: Small and medium-sized enterprises (SMEs) have fewer than 500 employees. Large companies have 500 or more employees.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

MORE THAN 14,000 SMALL AND MEDIUM-SIZED COMPANIES EXPORTED GOODS TO CHINA IN 2002



215,754 Small and Medium-Sized Companies Exported Goods in 2002

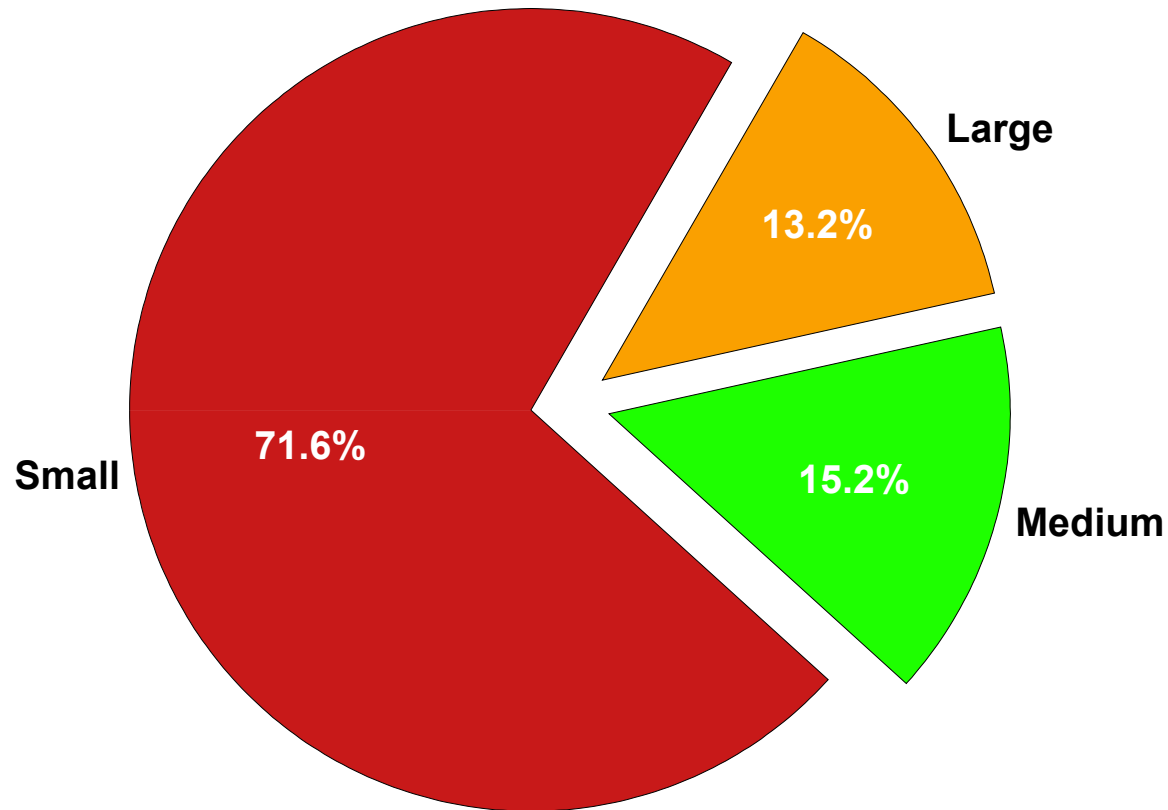
Definitions: Small and medium-sized enterprises (SMEs) have fewer than 500 employees. Large firms have 500 or more employees.

Notes: Because firms sometimes export to multiple locations, exporter counts cannot be summed to arrive at meaningful totals.

Source: U.S. Department of Commerce, Exporter Data Base.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

EIGHTY-SEVEN PERCENT OF ALL U.S. FIRMS THAT EXPORTED TO CHINA IN 2002 WERE SMALL OR MEDIUM-SIZED



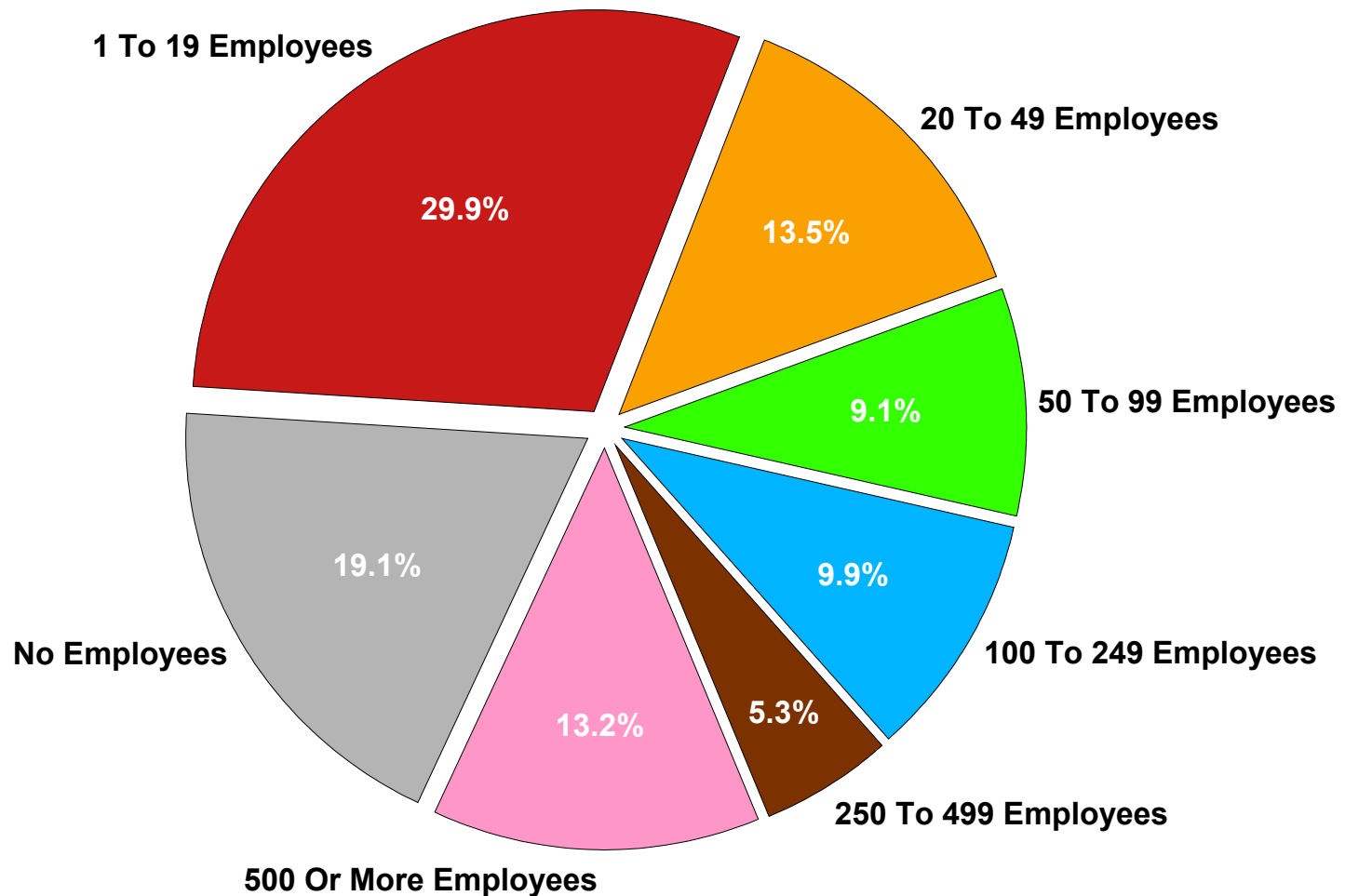
16,434 U.S. Companies Exported Goods to China in 2002

Definitions: small = less than 100 employees; medium = 100-499 employees; large = 500 or more employees.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

NEARLY HALF OF ALL U.S. FIRMS THAT EXPORTED TO CHINA IN 2002 HAD FEWER THAN 20 EMPLOYEES



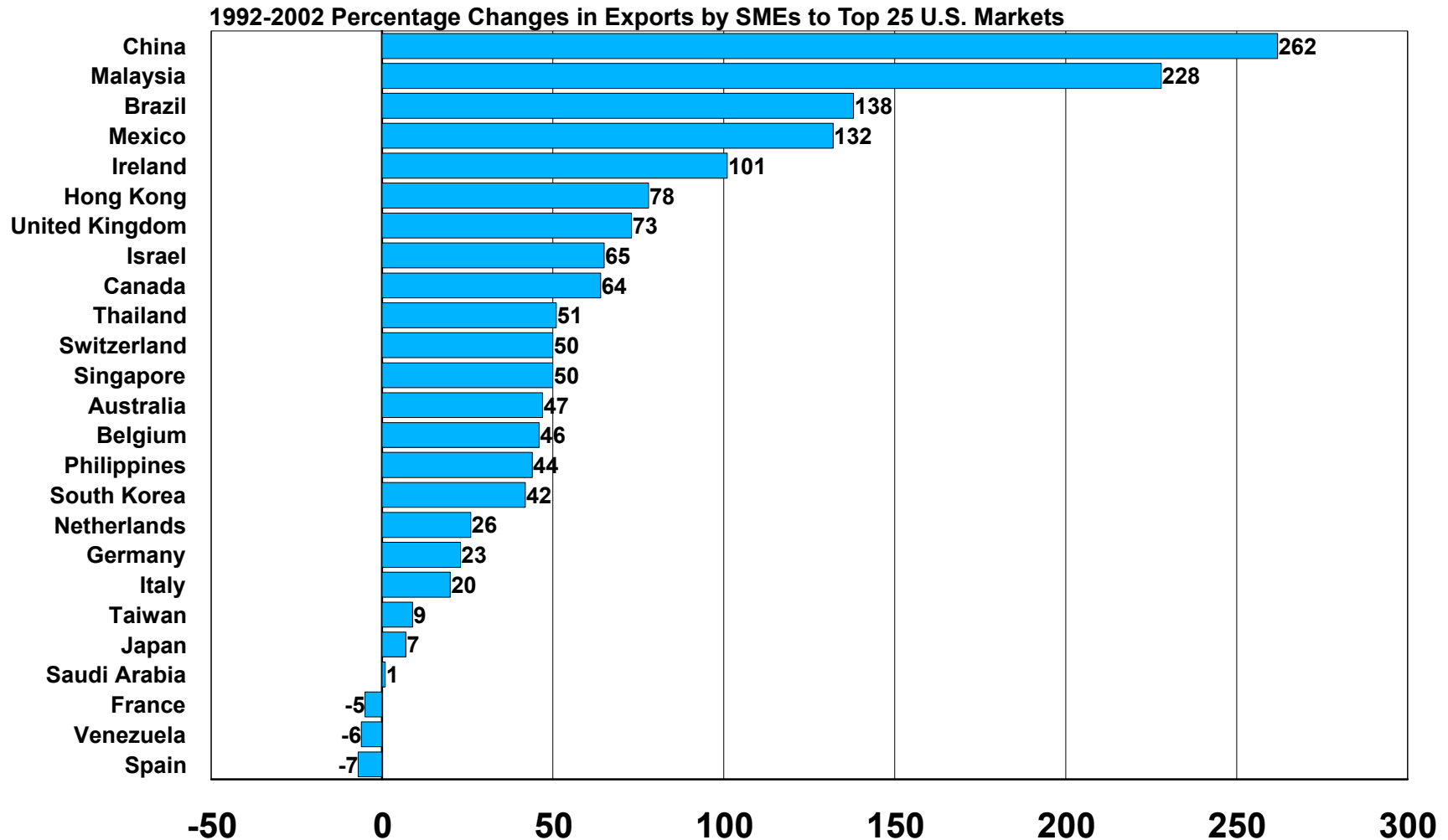
16,434 U.S. Companies Exported Goods to China in 2002

Note: "No Employees" includes sole proprietorships, start-ups, and firms that rely exclusively on temporary or seasonal help.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

CHINA IS THE NUMBER ONE SME GROWTH MARKET

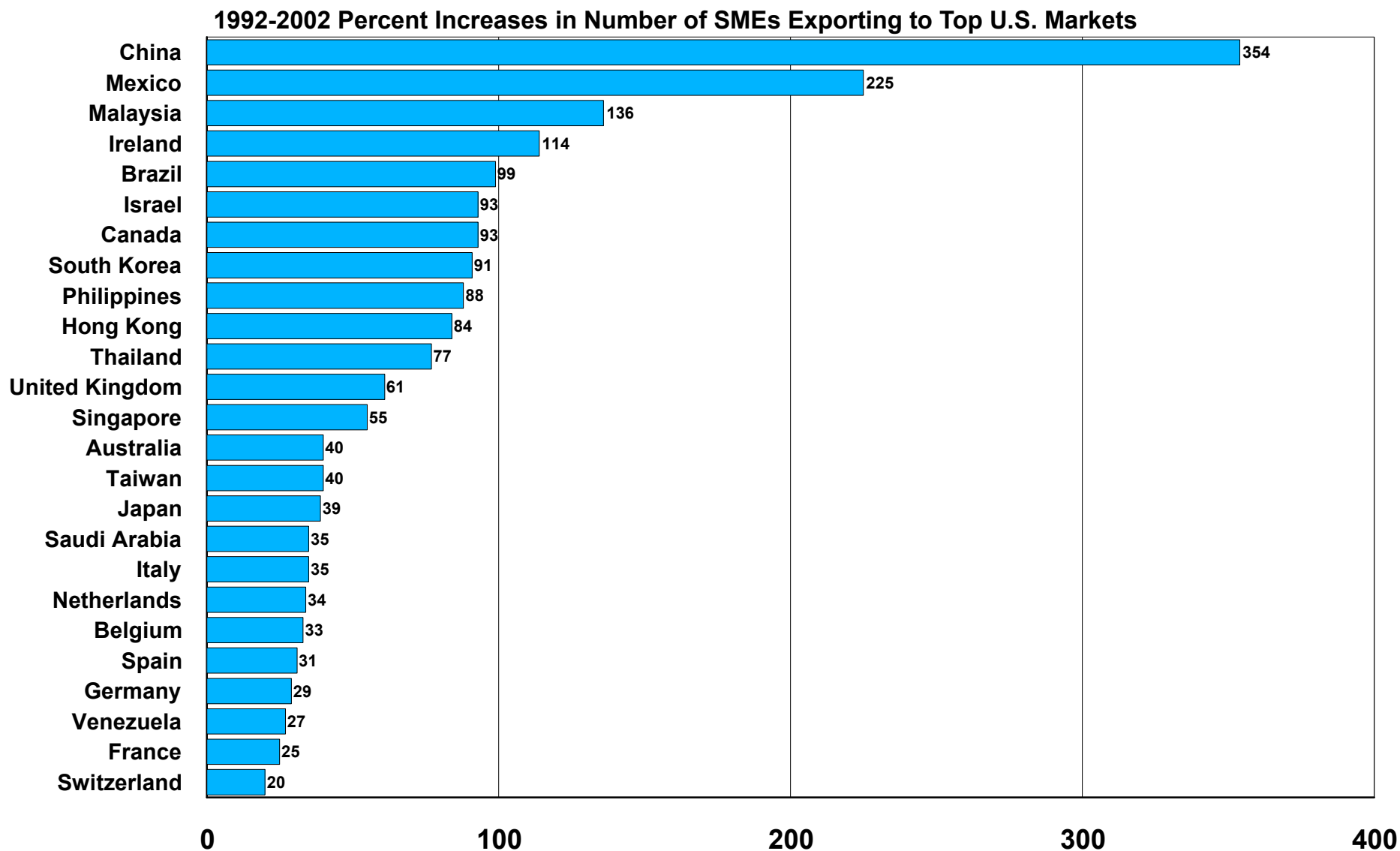


Notes: Values include only identifiable or "known" exports – i.e., 1992 & 2002 exports that can be linked to individual companies utilizing information on U.S. export declarations. SMEs (small and medium-sized enterprises) are firms with fewer than 500 employees.

Source: U.S. Department of Commerce, Exporter Data Base.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

THE NUMBER OF SMALL AND MEDIUM-SIZED ENTERPRISES EXPORTING TO CHINA IS SURGING



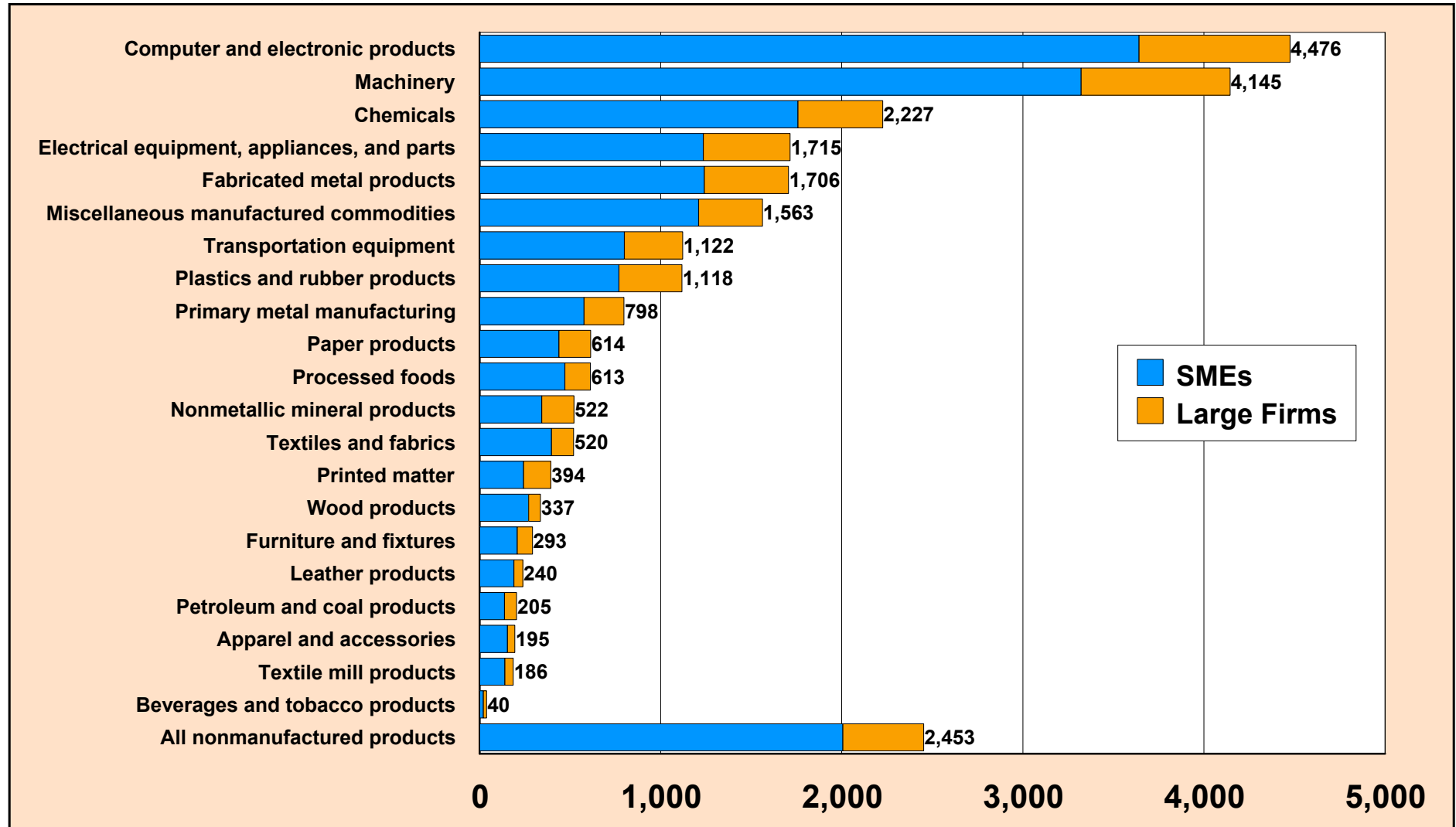
Definitions: Small and medium-sized enterprises (SMEs) have fewer than 500 employees. Large firms have 500 or more employees.

Source: U.S. Department of Commerce, Exporter Data Base.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

IN ALL PRODUCT SECTORS, MOST EXPORTERS TO CHINA ARE SMEs

Number of Firms Exporting to China by Company Size, 2002

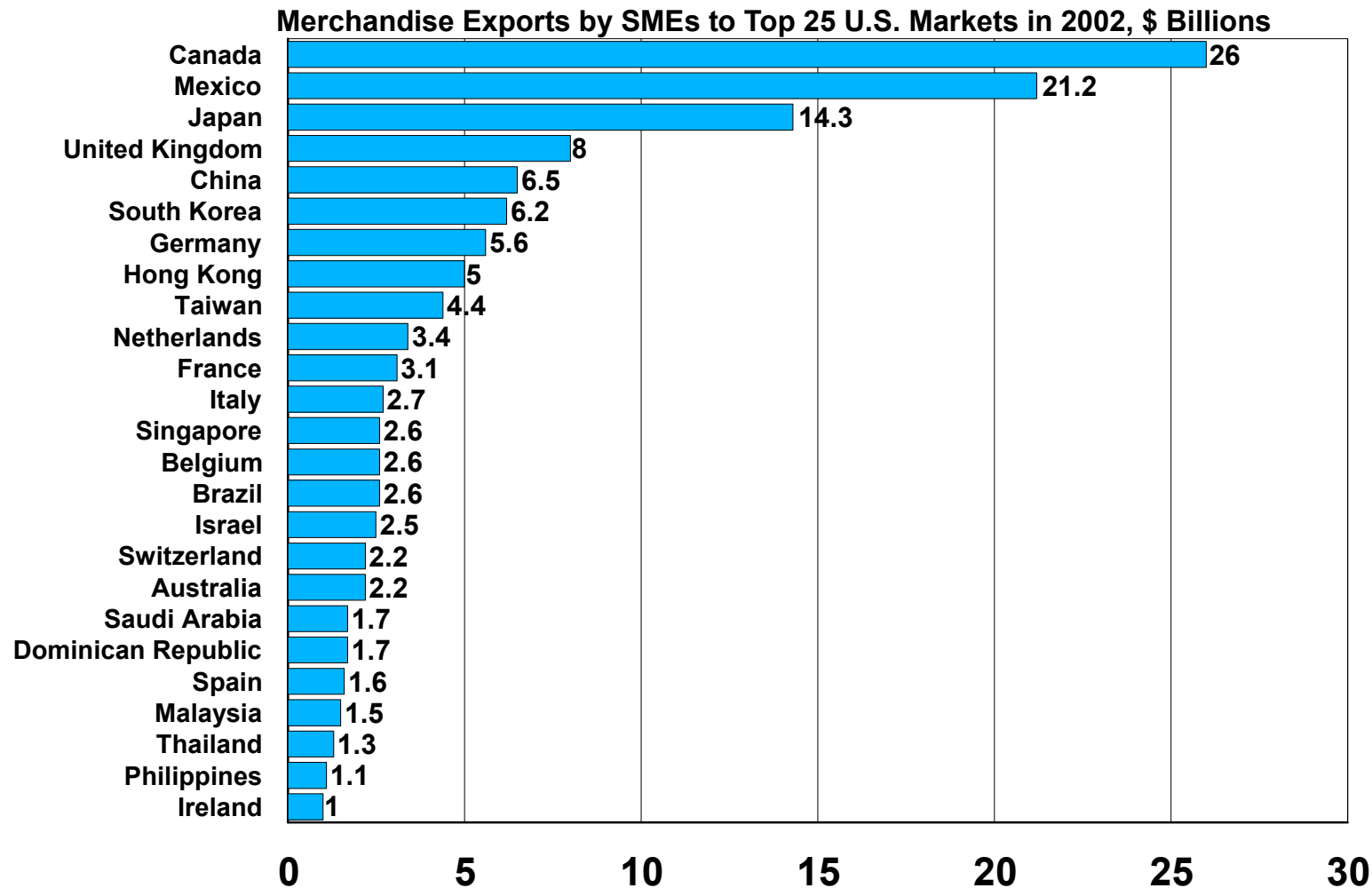


Notes: Small and medium-sized enterprises (SMEs) have fewer than 500 employees. Large companies have 500 or more employees. Because firms often export from more than one category, exporter counts cannot be summed to arrive at meaningful totals.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

CHINA WAS THE FIFTH LARGEST FOREIGN MARKET FOR SMEs IN 2002



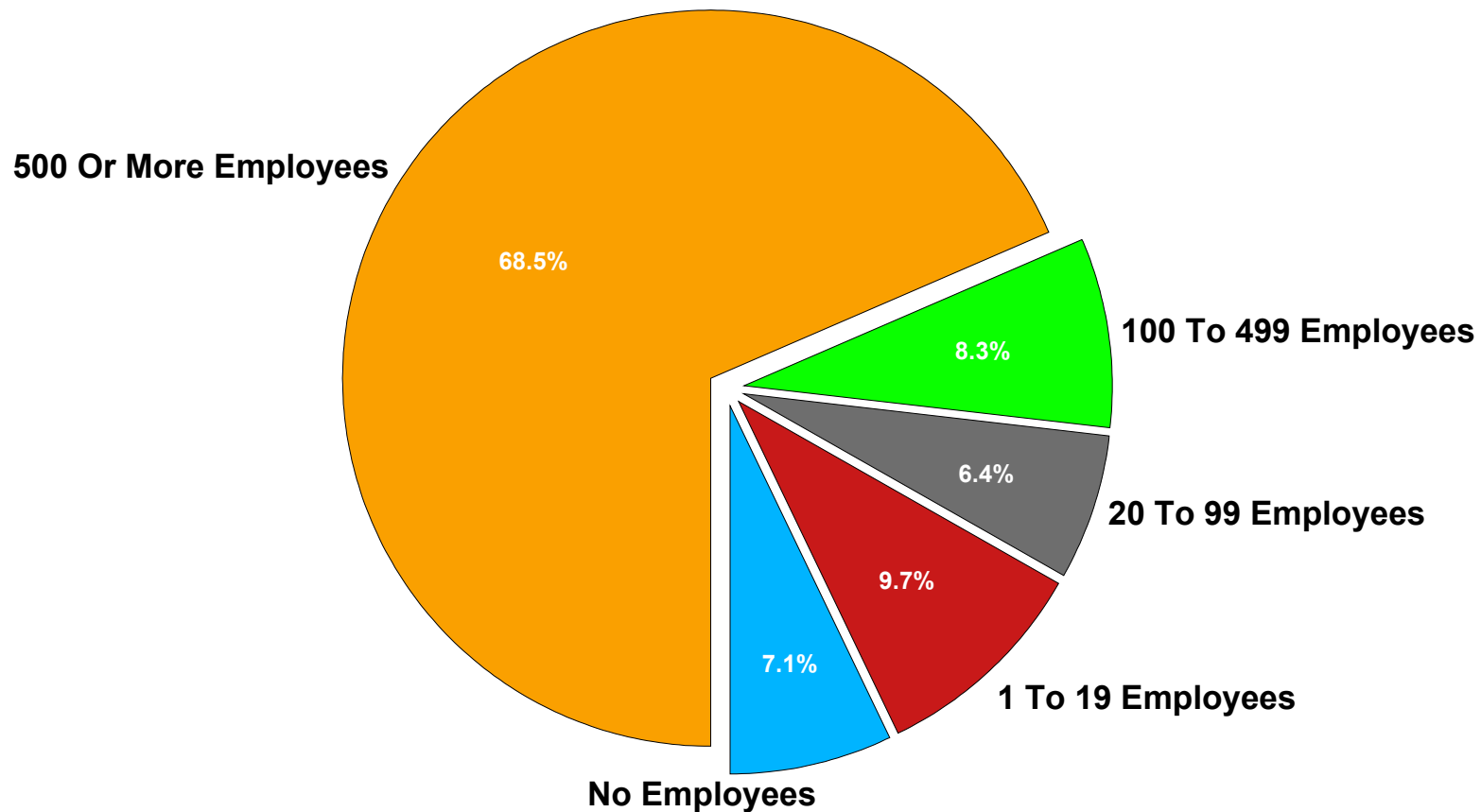
Notes: Values include only identifiable or "known" exports--i.e., 2002 exports that can be linked to individual companies utilizing information on U.S. export declarations. Small and medium-sized enterprises have fewer than 500 employees.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

SMALL AND MEDIUM-SIZED FIRMS GENERATED NEARLY ONE-THIRD OF U.S. EXPORTS TO CHINA IN 2002

Total Known Merchandise Exports to China from U.S. Companies in 2002 were \$20.8 Billion

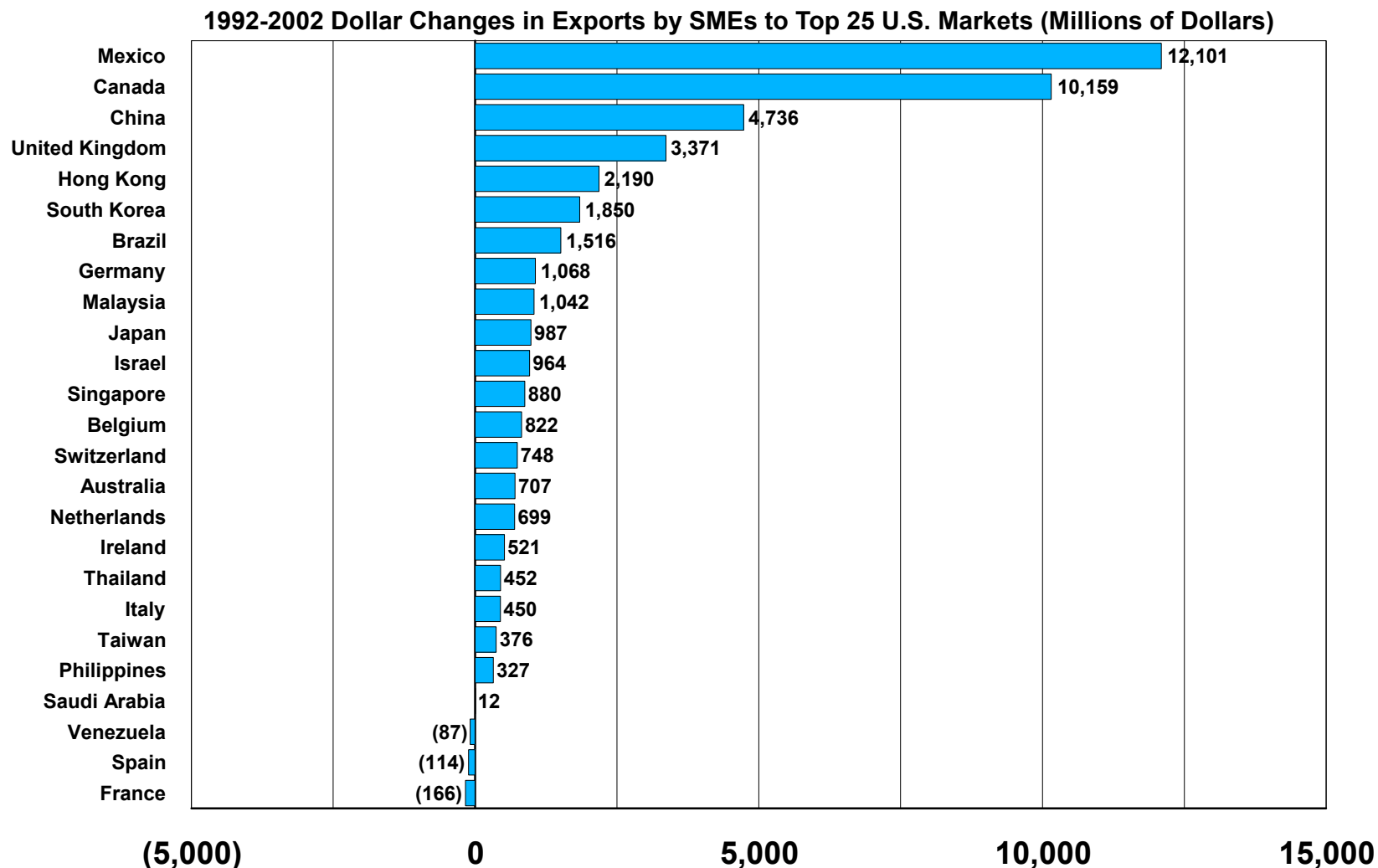


Notes: "No Employees" includes sole proprietorships, start-ups, and firms that rely exclusively on temporary or seasonal help. Values include only identifiable or "known" exports--i.e., 2002 exports that can be linked to individual companies utilizing information on U.S. export declarations.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

CHINA ACCOUNTED FOR THE THIRD BIGGEST DOLLAR GAIN IN SME EXPORTS FROM 1992 TO 2002



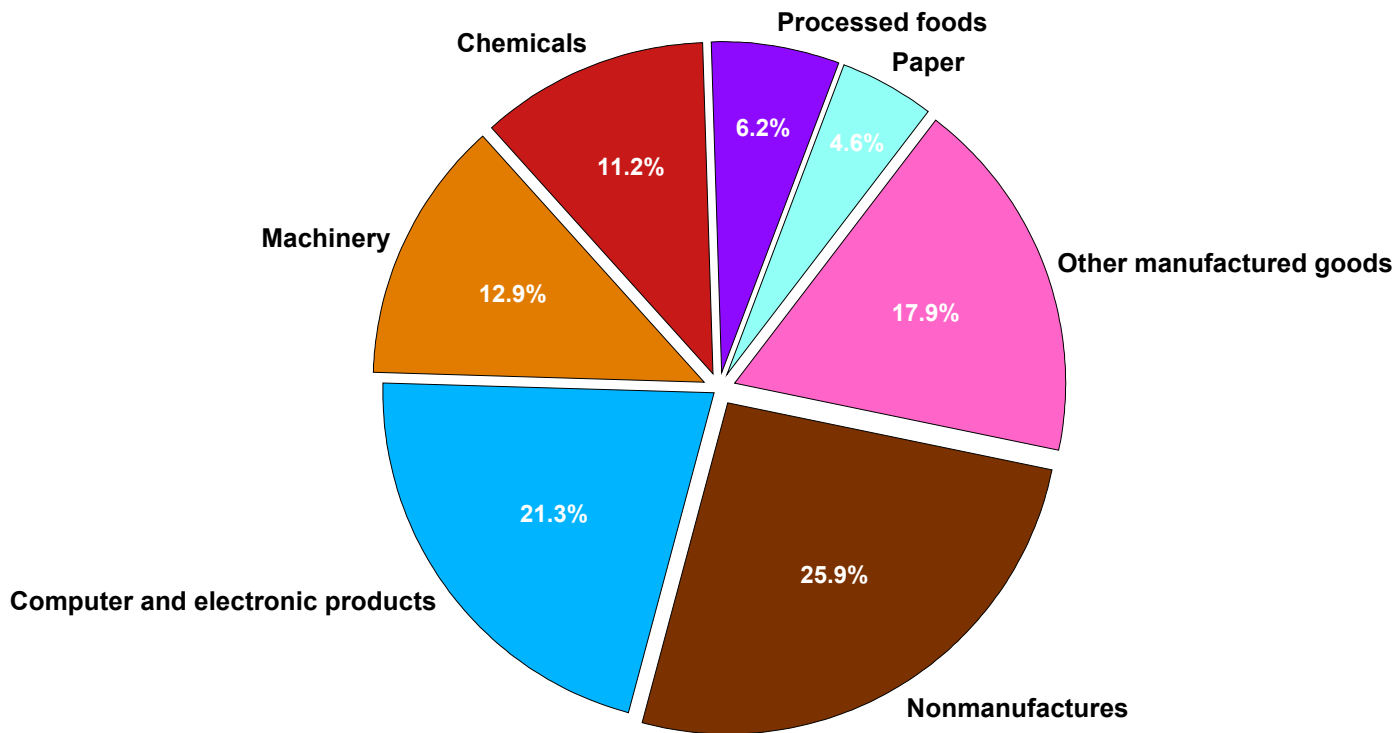
Notes: Values include only identifiable or "known" exports – i.e., 1992 & 2002 exports that can be linked to individual companies utilizing information on U.S. export declarations. SMEs (small and medium-sized enterprises) are firms with fewer than 500 employees.

Source: U.S. Department of Commerce, Exporter Data Base.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

COMPUTERS & ELECTRONIC PRODUCTS LEAD SME EXPORTS TO CHINA

The Known Value of SME Merchandise Exports to China in 2002 Was \$6.5 Billion



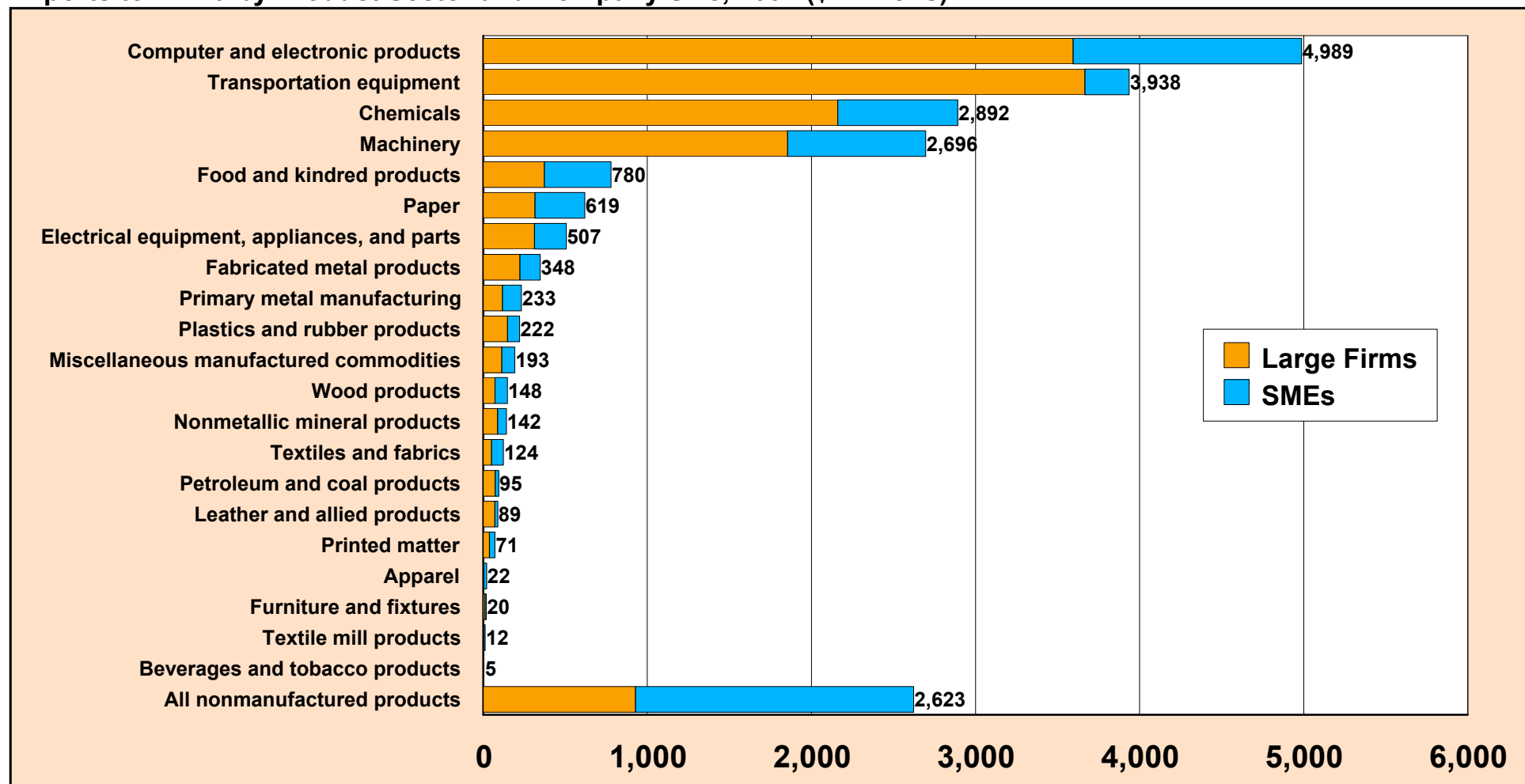
Definitions: Small and medium-sized enterprises (SMEs) have fewer than 500 employees. Large firms have 500 or more employees.

Source: Exporter Data Base, U.S. Department of Commerce

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

IN MOST PRODUCT SECTORS, SMEs GENERATE A SIGNIFICANT SHARE OF EXPORTS TO CHINA

Exports to China by Product Sector and Company Size, 2002 (\$ Millions)



Notes: Small and medium-sized enterprises (SMEs) have fewer than 500 employees. Large firms have 500 or more employees. Values include only identifiable or "known" exports--i.e., exports that can be linked to individual companies utilizing information on U.S. export declarations.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

MERCHANDISE EXPORTS TO CHINA, 2002

Number of Exporters and Value of Exports of Merchandise,
by Product Sector and Company Size;
Data Arrayed by Three-Digit NAICS Code

NAICS	Product Sector	Number of Exporters				Value of Exports (Millions of Dollars)			
		SMEs	Large	Total	% SMEs	SMEs	Large	Total	% SMEs
AP	All Products	14,270	2,164	16,434	86.8	6,541.7	14,226.1	20,767.9	31.5
AM	All Manufactured Products	13,137	2,102	15,239	86.2	4,847.6	13,297.1	18,144.7	26.7
AN	All Nonmanufactured Products	2,006	447	2,453	81.8	1,694.1	929.0	2,623.2	64.6
311	Processed Foods	471	142	613	76.8	407.8	372.3	780.2	52.3
312	Beverages & Tobacco Prod.	21	19	40	52.5	0.8	3.9	4.7	17.1
313	Fabric Mill Products	397	123	520	76.3	72.8	50.8	123.6	58.9
314	Non-Apparel Textile Products	140	46	186	75.3	7.8	4.4	12.2	64.1
315	Apparel Manufactures	154	41	195	79.0	17.9	3.7	21.6	82.8
316	Leather & Related Prod.	190	50	240	79.2	18.1	70.9	89.0	20.4
321	Wood Products	271	66	337	80.4	76.2	71.7	147.9	51.5
322	Paper Products	438	176	614	71.3	304.1	315.4	619.5	49.1
323	Printing & Related Products	243	151	394	61.7	33.1	38.4	71.5	46.3
324	Petroleum & Coal Prod.	138	67	205	67.3	21.9	73.4	95.3	23.0
325	Chemical Manufactures	1,759	468	2,227	79.0	731.8	2,160.5	2,892.3	25.3
326	Plastics & Rubber Products	770	348	1,118	68.9	74.3	147.8	222.0	33.5
327	Non-Metallic Mineral Mfrs.	344	178	522	65.9	53.3	88.3	141.7	37.7
331	Primary Metal Manufactures	577	221	798	72.3	115.5	117.4	232.9	49.6
332	Fabricated Metal Products	1,241	465	1,706	72.7	125.1	223.4	348.5	35.9
333	Machinery Manufactures	3,322	823	4,145	80.1	841.7	1,854.8	2,696.5	31.2
334	Computers & Electronic Prod.	3,642	834	4,476	81.4	1,393.9	3,594.7	4,988.6	27.9
335	Elec. Eq., Appliances, & Parts	1,236	479	1,715	72.1	193.5	313.1	506.6	38.2
336	Transportation Equipment	800	322	1,122	71.3	270.0	3,667.7	3,937.7	6.9
337	Furniture & Related Products	208	85	293	71.0	8.8	10.7	19.6	45.1
339	Misc. Manufactures	1,210	353	1,563	77.4	79.1	113.8	192.9	41.0

Definitions: Small and medium-sized enterprises (SMEs) have fewer than 500 employees. Large firms have 500 or more employees.

Notes: Figures refer to firms selling specific products abroad. Because firms may export multiple products, a single firm can be represented in more than one product sector. Therefore, product categories cannot be summed to arrive at a U.S. total. Figures include only identifiable or "known" exports--i.e., exports that can be linked to individual firms using information on U.S. export declarations. As a result, export values in this table are lower than official U.S. export values as reported by the U.S. Census Bureau.

Source: Exporter Data Base, U.S. Department of Commerce.

Prepared by: Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce.

EXPORTER DATA BASE: TECHNICAL NOTES

All statistics in this report are from the Commerce Department's Exporter Data Base (EDB), which provides an annual statistical profile of U.S. exporting companies—including their number, size, industry composition, and geographic distribution. The EDB is a joint project of the Census Bureau and International Trade Administration (ITA).

Latest available complete data from the EDB are currently for 2002.

The Exporter Data Base is comprised of all enterprises that could be identified from Shippers' Export Declarations (SEDs) that were filed, per U.S. regulations, for merchandise exiting the country. To identify exporters from SEDs, the Census Bureau used Employer Identification Numbers (EINs) and other SED information to link these documents to the Bureau's Business Register (which contains information on company characteristics and locations).

All EDB statistics on exporters refer to companies, not establishments. Companies are legal entities which consist of one or more commercial establishments. Establishments are individual business units, or locations, where economic activity takes place. Establishments include, for example, factories, warehouses, and retailing facilities. The terms "company", "enterprise", and "firm" are used interchangeably in this report. Also, the EDB includes both U.S.-domiciled companies and U.S. affiliates of foreign firms that export goods from the United States.

The linkage process outlined above yielded a 2002 Exporter Data Base consisting of 223,013 exporting firms, accounting for 87 percent of measurable merchandise export value. Export documents accounting for roughly 13 percent of export value could not be linked to the companies that filed the forms due to a variety of factors—e.g., misreporting by firms, errors in collection and processing, and coverage problems.

Because of the inability to link all SEDs to the firms which filed the documents, the EDB may slightly understate the total number of exporters—especially as regards small companies with only a few export transactions. Nevertheless, the EDB likely captures almost all significant exporters. This is because only one valid export declaration is needed to link an exporter to Census data bases. If a company submits 1,000 export declarations and all but one are invalid, the company is still captured by the EDB.

Due to improvements in methodology and data collection, the 2002 match rate of 87 percent (by value) was 9 percentage points higher than the 1992 match rate of 78 percent. As a result, changes in the number of exporters over the 1992-2002 period should be interpreted with some caution. Some portion of the increase in the exporter population was undoubtedly the by-product of measurement enhancements--however, the extent of the effect is unknown. Whatever the impact, overall trends documented by the EDB are fully corroborated by a large body of anecdotal evidence reported in the media and by an upsurge in U.S. companies seeking assistance from government export promotion agencies.

EDB data on individual firms--including company names and addresses--are not available to the public due to federal regulations which prohibit public release of confidential business information provided to the U.S. Government. All data in this report, as well as in EDB statistical tables available from Census, are in anonymous form. All numbers have been aggregated to a level where individual firms cannot be identified. For data users who desire exporter names and addresses, a number of commercial data base alternatives are available.

The EDB only captures companies that have at least one export shipment during the year valued at \$2,501 or more. Also, the EDB tracks only exporters of merchandise--i.e., goods. Firms that export services only are excluded. However, service companies (wholesalers, retailers, engineering and architectural firms, etc.) that also export goods are included.

All businesses included in the EDB are *direct* exporters--i.e., entities that ship merchandise from their factories (or other facilities which they own) to a foreign destination. Excluded from the EDB are so-called "indirect" exporters whose export role is limited to (1) providing components or other inputs to businesses engaged in export production and marketing, or (2) supplying goods to independent intermediaries which, in turn, market the products internationally.

Companies in this report are classified according to employment size ranges. There are no universally accepted guidelines for classifying companies by size. Classification criteria tend to vary with analytical purpose and organizational mission. For the purposes of this report, small firms are defined as those with fewer than 100 employees (very small firms are those with fewer than 20 employees). Medium-sized firms employ from 100 to 499 workers. Large firms are those with 500 or more employees.

Companies in this report are divided into three categories--manufacturers, wholesalers, and “other companies.” Company type for single-location companies is based on the North American Industry Classification System (NAICS). Manufacturers are firms that fall into NAICS classifications 31 to 33. Wholesalers fall into classification 42, as do brokers, agents, and similar entities which are primarily engaged in the distribution of goods to businesses. The term "other companies" embraces all remaining NAICS categories. Included here are resource extraction companies, retailers, freight forwarders, engineering firms, and miscellaneous service companies which often market goods abroad and act as exporters of record. Firms for which a valid NAICS was not available are labeled “unclassified companies.”

Export product categories referenced in this report are on a NAICS basis. For information on the types of products contained in individual NAICS categories, consult the Census Bureau’s Internet site at <http://www.census.gov/epcd/naics02/naicod02.htm>.

Many companies export products that fall into more than one NAICS category. It follows that such companies can be represented multiple times in tables and graphs that profile exporters by type of product exported. This means that one cannot simply sum up exporters in various product categories to arrive at totals.

Any EDB statistics in this report that profile exporters at the state level were compiled on an Origin of Movement (OM) basis. Tabulations on an OM basis assign exporters to states based on the transportation origin of the goods as specified on export declarations. Transportation origin is defined as the state from which the merchandise began its journey to the port (or other point) of exit from the United States.

The Origin of Movement—i.e., the state where the export journey begins—is not *necessarily* the location of export production or sale. While the locations of the export sale, production, and shipment *often* coincide, they do not *always* coincide. This is especially true for non-manufacturing companies, which were responsible for 33.1 percent of U.S. goods exports in 2002. Small wholesalers, for example, frequently sell products from one site, but obtain the merchandise from unaffiliated out-of-state manufacturers. Many large multi-unit companies (manufacturers and non-manufacturers alike) often disperse essential business functions—production, sales, shipment processing—among several states. This is significant because multi-unit firms, while in the minority among exporters, nevertheless generate about 82 percent of total U.S. merchandise export value.

Because of the preceding factors, OM-based state trade data should be interpreted cautiously. This is especially true with respect to reported exports of states bordering Canada and Mexico—two of our largest trade partners. Because of the growing integration of North American industrial production, a significant but unquantifiable portion of border-state exports to Mexico and Canada represents warehouse and cargo processing activity, not export-oriented manufacturing activity indigenous to the states concerned.

While the limitations of the OM data introduce some uncertainty into interpretation, these statistics can nevertheless yield useful insights into export production patterns if used judiciously and if corroborated by other, independent information sources on state exports. This is possible because the vast majority of exporters typically conduct all corporate functions—production, marketing, shipping—at the same site. Eighty-six percent of all 2002 exporters, and 89 percent of small and medium-sized exporters, were single-establishment companies.

Exporter counts shown for states cannot be summed to arrive at national or regional totals. To do so often results in double-counting, because some exporting companies--especially large multi-establishment firms--frequently export from multiple locations.

All statistics in this report regarding the number of employees in exporting companies refer to the total number of workers, not just workers whose jobs are supported by exports. “Employment” also refers to part-time as well as full-time workers on a firm’s payroll during Census Bureau reporting periods.

All export value data in this report are on an f.a.s (free alongside ship) basis and include both domestic exports and re-exports of foreign merchandise.

Statistics in graphs and text have been rounded to enhance readability. For this reason, details may sometimes not add exactly to totals.